

Chapter 13 – Drawing Funds

Once your project has been set-up, you are able to draw funds from IHFA for costs that have been incurred.

A. Pre Agreement Costs

The following costs may be incurred by the applicant, subrecipient of the applicant or a professional administrator procured by the applicant; however these entities need to understand the level of risk that is involved by completing these actions. If an organization chooses to expend funds prior to receiving HOME or CDBG award approval, IHFA is in no way obligated to provide funding for the development. The organization is assuming all risk associated with costs incurred prior to receiving a HOME or CDBG award.

If an organization anticipates conducting either acquisition or construction/rehabilitation prior to receiving an award, they may request in writing to the Allocation Analyst for your region of the state a “Pre-Award ROF Letter”. This letter would indicate the date that the entire Environmental and Historic Review process was completed (this should be completed during the application process).

Costs for preparation of an application for funding is not eligible for reimbursement.

The following costs may be incurred by the applicant, subrecipient or administrator procured by the applicant:

Cost (Budget Line Item)	Cost May Be Incurred	Period of Time Valid	Other Requirements
CHDO Operating/Administration	As of the Board Award Date	N/A	Must have received an IHFA award
Environmental and Historic Review	Up to six months prior to the initial application date	One year from the date of initial application	N/A
Program Delivery	Up to six months prior to the initial application date	One year from the date of initial application	N/A
Acquisition	Up to six months prior to the initial application date	One year from the date of initial application	Must have completed the entire Environmental and Historic Review Process (including approval from IHFA)
Construction or Rehabilitation	Up to six months prior to the initial application date	One year from the date of initial application	Must have completed the entire Environmental and Historic Review Process (including approval from IHFA)

Recipients of HOME funds for an activity previously receiving a CHDO predevelopment or seed money loan will be allowed to request a drawdown to repay their loan regardless of the timing of the predevelopment activities.

1. The costs may be reimbursed from the CDBG or HOME award given that all federal requirements were adhered to related to the costs incurred and any procurement of an award administrator.

2. Any of the costs that are donated or paid from local funds may count towards the local leverage requirement under the CDBG program.
3. Program delivery costs or acquisition costs donated or paid from local funds may count towards the local match requirement under the HOME program.

All other costs not listed above, must be incurred after award execution and must receive a release of funds from IHFA to incur costs. Any costs incurred prior to this and not listed above will be disallowed by IHFA.

B. Documentation for Drawing Funds

Supporting documentation and specific forms are required in order to draw funds. The following details the various stages and the differences in required documentation that must be submitted at each stage of drawing funds for property addresses.

1. First Draw on a Property Address
 - a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;
 - d. Claim Voucher Supplemental Form;
 - e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
 - f. Ledger of Expenditure by Site Address;
 - g. Inspection Certification Form; and
 - h. Copy of the after rehabilitation or construction appraisal.
2. Subsequent Draws on a Property Address:
 - a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;
 - d. Claim Voucher Supplemental Form;
 - e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
 - f. Ledger of Expenditure by Site Address; and

- g. Inspection Certification Form.
- 3. Final Draw on a Property Address – with no developer’s fee
 - a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;
 - d. Claim Voucher Supplemental Form;
 - e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
 - f. Ledger of Expenditure by Site Address;
 - g. Inspection Certification Form;
 - h. Final Lead Clearance (Submit on Form E of the Set-up Chapter);
- 4. Final Draw on a Property Address – Scattered Site with developer’s fee
 - a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;
 - d. Claim Voucher Supplemental Form;
 - e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
 - f. Ledger of Expenditure by Site Address;
 - g. Inspection Certification Form;
 - h. Final Lead Clearance (Set-up – Exhibit E);
 - i. Completion Report (see the completion chapter of this manual for instructions)
 - j. Match Documentation (see the completion chapter of this manual for
- 5. Final Draw on a Property Address – Single site with developer’s fee
 - a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;

- d. Claim Voucher Supplemental Form;
- e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
- f. Ledger of Expenditure by Site Address;
- g. Inspection Certification Form;
- h. Final Lead Clearance (Set-up – Exhibit E);
- i. Completion Report (see the completion chapter of this manual for instructions)
- j. Match Documentation (see the completion chapter of this manual for

Additional information that is required to be submitted within 30 days of closing for downpayment assistance and homebuyer activities:

- k. Buyers Loan/Mortgage Documents (i.e. loan agreement, mortgage, promissory note, assignment of mortgage and declaration);
 - l. Completion Report (see the Completion Chapter of this manual for instructions); and
 - m. Match Documentation (see the Completion Chapter of this manual for instructions).
6. Final Draw on an Award as a Whole
- a. Claim Voucher;
 - b. Claim Voucher Summary;
 - c. Claim Voucher Narrative;
 - d. Claim Voucher Supplemental Form;
 - e. Support Documentation (i.e. detailed summary; all invoices; listing of employee, rate of pay, number of hours worked, and dates worked);
 - f. Ledger of Expenditure by Site Address;
 - g. Inspection Certification Form;
 - h. Final Lead Clearance (Set-up – Exhibit E);
 - i. Completion Report (see the Completion Chapter of this manual for instructions);
 - j. Match Documentation (see the Completion Chapter of this manual for instructions); and
 - k. All Close-out Documentation (please see the Close-out Chapter of this manual).

C. Claim Voucher

Exhibit A is a checklist that has been provided to ensure that all applicable information is submitted with your claim voucher.

The following lists the claim voucher requirements for submission of a draw as well as listing the information that is required to be submitted with the draw request.

Claim Voucher (Exhibit C)

1. Fill out all general information requested at the top of the form.
2. Current Draw: This summarizes the amount of money being requested by each budget line item.
3. Budget Line Items:

For a listing of eligible costs under each specific line item, please see the Set-up chapter of this manual.

Current Budget: List the most recent approved budget for each line item.

Previous Draws: List the amount of funds that has been received from IHFA.

Current Draw: List the amount that you are drawing against each budget line item.

Total Drawn: Add the previous draw and current draw amounts together.

Balance to Draw: This is the difference between the current budget and total drawn.

4. Signature: Must be signed by an authorized signatory.

Claim Voucher Summary (Exhibit D)

This is a summary page detailing each property address, the current budget, previous draws, current draw and amount remaining to be drawn.

Claim Voucher Narrative (Exhibit E)

1. Update us on the accomplishments made during the award.
2. Update us on any problems or delays encountered or anticipated in accomplishing the award during its award timeframe.
3. Match

Total Amount Committed to Project: enter the match liability

Match Amount Expended: enter the total amount expended to date.

Banked Match Utilizing: enter the amount of match that you anticipate using from your banked match supply.

Match Balance: enter the amount of match you still must document to meet your match liability.

4. Local Units of Government Only – answer questions 4a and 4b updating us on the action you are taking to affirmatively further fair housing.

Claim Voucher Supplement (Exhibit F)

Enter the amount of funds by property address and budget line item that you are drawing.

D. Support Documentation Requirements

- a. Include a detailed summary list of each expenditure being requested for reimbursement by line item.
- b. Include a copy of all invoices.
- c. Drawdowns requesting funds for acquisition prior to closing must include a copy of an executed good faith estimate (must be signed) with a breakdown of the total selling cost, HOME or CDBG amount, and balance of funds. Additionally, for all homebuyer and downpayment assistance projects, the HUD-1 Settlement Statement, Completion Report and all match documentation must be submitted to IHFA within 7 days of the closing (for additional information on the close-out requirements please refer to the completion chapter of this manual).
- d. Supporting documentation for drawdowns from the Administration, Environmental Review, Program Delivery, CHDO Operating Costs, Transitional Housing, Emergency Shelter or Youth Shelter Operating Costs budget line items requesting reimbursement for time spent on the undertaking by staff of a local unit of government, subrecipient, or not-for-profit organization must include: name of the employee, dates worked, number of hours worked, the chargeable rate, and the total wage computation.

DO NOT include actual time sheets with the drawdown submission; however, the recipient must keep this documentation on file for IHFA monitoring purposes. Additionally, at monitoring, IHFA staff will be documenting that the proper hourly rate and fringe benefits is being billed to the IHFA program

- e. Developer's Fees line can be drawn by requesting this line item on letterhead of your organization.
- f. Rent-up Reserve
 - Initial Drawn Down of Rent-up Reserve – in order to draw this line item, you must submit the request with your claim voucher and the appropriate support documentation in the amount of the request on your agency's letterhead. This allows the drawing of the funds to be held by the organization until needed, however, when the rent-up reserve is needed, a request must be made to your Compliance Monitor.
 - Use of the rent-up reserve – in order to draw these funds you must request permission from your Compliance Monitor. These funds can be drawn as often as needed. The request should be in writing and must include support for the draw. You should include with your request a current income and expense report for the previous three months and the documentation of where the rent-up reserve payment is being made. We may request additional documentation during our review. You will receive a formal approval/denial letter allowing you to utilize these funds.

- If 18-months after award expiration any funds remain in the rent-up reserve, these funds can be transferred into your replacement or operating reserve.
- g. Fringe benefits must also be listed on the support documentation summary.
- h. Indirect costs are chargeable to the program in one of two ways and can only be used for the administration and CHDO Operating Costs line items:
- Costs may be maintained directly, such as accurate counts of telephone calls, copies made, and postage spent.
 - Costs may be allocated through an indirect cost allocation plan. The indirect cost allocation plan must be approved by a federal or state agency for IHFA to recognize this plan. The following documentation must be included with the first drawdown only:
 - A copy of the agency's indirect cost allocation plan; and
 - A summary of costs included in the indirect cost allocation plan.

E. Ledger of Expenditures by Site Address (Exhibit G)

This ledger tracks all acquisition and contracts that are executed on the property address regardless of the funding source. All forms should accurately reflect the IHFA funding and other funding going into the development.

Complete the general information at the top of the form.

Acquisition Section

Complete the information and do not leave any of the fields blank. There must be a date listed for closing. If the closing has already occurred, please submit the HUD-1 Settlement Statement with the draw request.

Contract Section

List all contracts that have been executed using new construction, rehabilitation, emergency/youth shelter assistance and program delivery.

F. Inspection Certification Form (Exhibit H)

With every draw on rehabilitation, new construction and emergency/youth shelter assistance, an inspection form must be submitted to IHFA. The inspector, contractor and homeowner, if applicable must sign the inspection form.

Contractor Section: Documents that the contractor has satisfactorily completed the work according to the construction contract.

Inspector Section: Documents that a physical inspection of the property has been completed and that all of the work for which payment is being requested has been inspected and that the work items corrected at a minimum meet the stricter of the local rehabilitation standards or the Indiana Building Code.

Homeowner Section: Documents that all work items for which payment being requested has been completed in accordance with the contract that the homeowner understands that payment will be disbursed to the contractor.

For HOME Final Payment Only Section: The inspector certifies that the entire property meets the stricter of the local rehabilitation standards or the Indiana State Building Code.

G. Appraisal

A licensed appraiser must document the after rehabilitation or construction value. The value of the after rehabilitation or construction value cannot exceed the 203(b) Mortgage Limits.

H. Final Lead Clearance

Until a property address receives a final “passed” clearance test, 10% of the construction contract must be held from the contractor. When submitting the final lead clearance, please complete the remainder of the Lead Form (see the Set-Up Chapter of this manual). The following should be included: (1) lead form, (2) letter from inspector noting license number and (3) results of the lead test.

I. Buyer Loan/Mortgage Documents

The following lists the documents that could be required between the recipient and the owner of the property. However, at award execution or when available all required documents will be available on our website.

- Grant Agreement
- Loan Agreement (legal description attached)
- Promissory Note (legal description attached)
- Borrowers Resolution
- Declaration of Affordability (legal description attached)
- Mortgage (legal description attached)
- Assignment of Mortgage (legal description attached)
- Security Agreement (legal description attached)
- UCC Financing Statement with County Recorders Office (legal description attached)
- UCC Financing Statement with Secretary of State Office

J. Completion Report

For instructions, please refer to the Completion Chapter of this manual.

K. Match Documentation

For instructions, please refer to the Completion Chapter of this manual.

L. Receipt & Disbursement of Funds

The following outlines the time frame in which the receipt of your federal funds must be expended. There are different requirements for HOME versus CDBG; please refer to the proper section for your type of award.

HOME Funds

1. Establish account for HOME funds.

HOME recipients may choose to either establish a separate fund within the general fund or establish a separate bank account for the HOME program. The bank account must be non-interest bearing.

2. Disburse HOME funds in a timely manner.

- a. HOME recipients have fifteen calendar days to disburse drawdowns from their local HOME account to a \$0 balance. The HOME recipient must begin counting the fifteen days from the date it receives the HOME reimbursement check from IHFA. Additionally, if the recipient disburses the HOME funds to a subrecipient or award administrator, they, in turn, must achieve a \$0 balance within fifteen days of receiving the funds.
- b. If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHFA.

CDBG Funds

1. Establish account for CDBG funds.

CDBG recipients may choose to either establish a separate fund within the general fund or establish a separate bank account for the CDBG program. The bank account must be non-interest bearing.

2. Disburse CDBG funds in a timely manner.

- a. CDBG recipients must adhere to the “\$5,000/3-Day Rule.” The local unit of government recipient must expend award funds to a balance of less than \$5,000 within 3 days of receiving the CDBG reimbursement check. Additionally, if the recipient disburses the CDBG funds to a subrecipient or award administrator, they, in turn, must achieve a balance less than \$5,000 within a 3-day period of receiving the funds.
- b. If the recipient is unable to disburse the federal funds in a timely manner, the recipient must immediately return the funds to IHFA.

M. Acquisition Draws

- A title company must be utilized when purchasing or selling assisted properties; and
- All donated property must submit a title search demonstrating that the property is free and clear of any encumbrances.
- Within 30 days of closing, recipients are required to submit the following to your Compliance Monitor:
 - ❖ Executed and recorded Mortgage;
 - ❖ Executed and recorded Security Agreement;
 - ❖ Uniform Commercial Code – executed and recorded with the County Recorder’s office; and

❖ HUD-1 Settlement Statement.

These the above documents should be submitted using the form that was provided to you with your award documents.

N. Retainage Policy

If HOME funds are not used for a developer's fee, IHFA will hold the final \$5,000 of an award until the completion reports, match documentation, and closeout documentation is received and approved. For scattered site developments using HOME funds for a developer's fee, IHFA will hold the developer's fee until the match documentation and completion report has been received and approved. For single site activities, IHFA will hold the final \$5,000 of an award or developer's fee line item (whichever is greater) until a completion report, match documentation and closeout documents have been received and approved by IHFA.

For CDBG awards, IHFA will hold the final \$5,000 of an award until the completion reports, leverage documentation, and closeout documentation is received and approved.

Additionally, until a property address has "passed" the lead clearance test, 10% of the construction contract will be held by IHFA.

O. Receipt of Payment Form (Exhibit I)

For all draws except for acquisition, recipients are required to submit a Receipt of Payment form or Lien Waiver (1) within 30 days of the IHFA check date or (2) with your next claim voucher, whichever occurs later to verify that all entities have been paid.

IHFA requires the signature of all second and third party contractors/entities. For example, a claim is submitted for the following:

Rehabilitation	
Joe's Excavating	\$10,000
Mike's Plumbing	\$15,000
Program Delivery	
AE Architecture	\$ 3,000
Not for Profit Staff Time	\$ 2,000
Administration	
Not for Profit Staff Time	\$ 2,000
JP Electric	\$ 550

The following lists the required signatures and the amount received that must appear on the Receipt of Payment Form:

Joe's Excavating	\$10,000
Mike's Plumbing	\$15,000
AE Architecture	\$ 3,000
Not for Profit Staff Time	\$ 4,550

IHFA does not require that the recipient demonstrate that they had paid JP Electric for their electrical bill. However, IHFA does require that all contractors, consultants, not for profits, etc. sign that they have received reimbursement from the recipient.

P. Return of Funds

When returning HOME or CDBG funds, please complete Exhibit J and submit along with the funds to the IHFA Program Accountant.

Q. Financial Management Forms

The following ledgers help to control receipts and disbursements of federal funds as well as ensuring that you do not over expend your budget line items.

1. Federal Cash Control Register (Exhibit K)

The Federal Cash Control Register must be used to record requests for payments submitted (drawdowns), checks received, disbursements, and the balance of federal cash on hand on both a daily and cumulative basis. The register documents the timely disbursement of the HOME or CDBG funds. It also serves as a crosscheck to total receipts, disbursements, and the cash balance shown in the accounting records. Subsequently, it is imperative to record each transaction as it occurs.

If you employ the services of a award administrator or subrecipient who makes payments with the HOME/CDBG funds, this entity is also responsible for keeping a federal cash control register and responsible for disbursing funds in the manner prescribed for the funding source.

- a. When a draw request has been sent to the IHFA, the request for funds must be recorded in the Federal Cash Control Register section entitled Request for Payment Submitted. The columns to complete include the document number, date of request, amount requested, and cumulative amount requested. The document number to use would be the draw number used on the Claim Voucher. By maintaining the Request for Payment Submitted section of the Federal Cash Control Register, in-process draws become easier to track.
- b. When the drawdown of funds is received by the recipient, the date of issuance from the IHFA, the check number, and cumulative amount should be entered into the Drawdown Checks Received section.
- c. When funds are disbursed, the date of disbursement, check number, payee, check amount, and cumulative check amount should be recorded in the appropriate boxes of the Disbursements section of the Federal Cash Control Register

2. Contractor Obligation Control Ledger (Exhibit L)

Every recipient must institute a system to ensure that total contract costs are carefully controlled and that all contractors performing services under the HOME or CDBG program are properly monitored. On this form, the recipient lists all executed contracts which included subrecipient agreements, award administrator contractual agreements, attorney fees, inspectors, construction contracts, etc. The recipient must identify the amount of each contract to be paid with the HOME or CDBG award.

3. *Ledger of Appropriations, Encumbrances, Disbursements, and Balances (Exhibit M)*

Recipient control over encumbrances and disbursements of funds and the remaining balance of unobligated funds assures that the amount of expenditures do not exceed the amounts budgeted for each budget line item and for the award as a whole. The Ledgers of Appropriations, Encumbrances, Disbursements and Balances will assist in providing the necessary control. The recipient must keep one Ledger of Appropriations, Encumbrances, Disbursements, and Balances for each budget line item.

R. *Drawing Funds Exhibits*

- A Claim Voucher Checklist – HOME
- B Claim Voucher Checklist - CDBG
- C Claim Voucher
- D Claim Voucher Summary
- E Claim Voucher Narrative
- F Claim Voucher Supplemental
- G Ledger of Expenditures by Site Address
- H Inspection Certification Form
- I Receipt of Payment Form
- J Return of Funds
- K Federal Cash Control Register
- L Contractor Obligation Control Ledger
- M Ledger of Appropriations, Encumbrances, Disbursements, & Balances